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THE SOVIET WORLD

Moscow's comment on Ho Chi Minh's offer to discuss French proposals to end the war in Indochina suggests that it was timed to reinforce a much wider Communist effort to repair the damage done to Moscow's propaganda position by its previously uncompromising stand on negotiations with the West. Soviet comment features the theme, introduced last July, that the Korean truce demonstrates the possibility of ending the Indochina war and of establishing peace in Southeast Asia. It charges that growing popular demands in France for an armistice are being thwarted by American pressure on the government to continue a war which now serves only American interests.

This appeal for negotiations for an armistice in Indochina is closely related to Soviet efforts to block German rearmament within the framework of EDC. Moscow apparently hopes to encourage the French to explore alternative measures for achieving security in Europe and in this way to weaken the foundations of the Western defense system. Soviet commentators suggest that the continuation of the Indochina war will weaken France's position in Europe and, contrary to the argument advanced by most Frenchmen, conclude that this will make Paris "more likely to agree to German remilitarization" and to support the policies of "American aggressive circles" which are in direct conflict with basic French interests.

Communist comment on negotiations for an Indochina truce is also linked with the USSR's demands for a five-power conference to discuss measures for reducing international tension. An East German commentator has stated that such a conference might lead to an easing of tension between the United States and Communist China and that this in turn would remove the reason for "the US imperialists preventing the French from ending the Vietnam war."

Continuing its effort to expand formal trading arrangements with non-Communist countries, the USSR on 2 December signed a five-year trade agreement with India. The scheduled volume of trade has not been announced, but Prime Minister Nehru, while minimizing the importance of the agreement, stated that it might lead to an increase in the present relatively small volume. The Soviet offer of technical assistance in connection with exports of capital equipment to India has been given prominence in the press of both countries.

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As yet no specific arrangements have been concluded, and the Indian government has displayed no enthusiasm for accepting Soviet technical advice.

On 3 December the USSR signed a trade agreement with Israel to import \$2,900,000 worth of citrus fruit in exchange for crude oil. Two days earlier an Egyptian trade mission left Cairo, its itinerary including the Soviet Union and several Satellites.

Inside the Soviet Union, a speech by N. S. Khrushchev, published on 3 December, provided further evidence of delays in implementing the current economic program. Khrushchev sharply criticized Soviet newspaper editors for their lack of effective support and admitted that agricultural reorganization is generally lagging. He pointed to recruitment of agricultural specialists and friction between party organizations and collective farm chairmen as especially serious problems.

Compared to its emphasis on increased production of food and manufactured consumer goods, the Soviet government has given relatively little attention to improving housing conditions. This may be partly due to the underdeveloped state of the timber industry and the difficulty of providing additional labor and other resources required for sharp production increases. Probably because of these conditions, the government has not yet published the text of the timber decree referred to in a 12 November Pravda editorial criticizing the industry and Orlov, its minister, and setting forth measures for its improvement.

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SOVIET UNION MAY PROPOSE BILATERAL SECURITY SYSTEM

The Soviet note of 26 November and Soviet propaganda indicate that the Kremlin prefers a bilateral approach to security rather than a broadly based nonaggression treaty with the West. The note of 3 November had made it clear that the USSR termed as its minimum security needs the abandonment of EDC, the dismantling of the NATO collective security structure, and the withdrawal of the United States from its foreign bases.

Soviet representatives at the foreign ministers' meeting proposed for early January are likely to raise the question of security in terms of the alleged threat emanating from the European Defense Community, NATO, and American overseas bases. Certainly in Soviet eyes no legal guarantees could compensate the USSR for the definite entry of West Germany into the Western camp and the ratification of EDC.

The Soviet Union may envisage a way out of this dilemma by at least ostensibly advocating a bilateral security system. The note of 26 November stated that efforts toward assuring security "can and must be based on obligations previously assumed by the states concerned." This apparently referred to the French and British treaties with the Soviet Union. Similarly, in the 3 November Soviet note the only tempting morsel thrown out to European governments to counterbalance the harsh Soviet criteria for security was a suggestion that the existing French-Soviet and Anglo-Soviet mutual assistance treaties be strengthened.

The interview Malenkov granted to British ambassador Hayter on 28 November, the first he has granted to a Westerner, may also fit into this bilateral approach. Although the meeting was primarily confined to social amenities, Malenkov did point to the 1942 treaty of mutual assistance between Britain and the Soviet Union as a good basis for the development of improved relations between the two countries. He added that it was easy for the Soviet government to act in accordance with the treaty since "it is not under the influences of any government."

This approach is also finding expression in a coordinated Orbit-wide propaganda pattern emphasizing bilateral cooperation as a means of easing world tension. The new line appears to be designed to counteract any strengthening of Western unity

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which resulted from signs of Soviet inflexibility. Not inconsistent with the current Soviet agreement to four-power talks, this maneuvering may be intended to encourage divergent Western opinions at any forthcoming meeting with the Soviet Union. It does not preclude the possibility of continued Communist support of a five-power conference or peace pact, or a suggestion for an East-West security system to replace Western defense planning.

The Soviet Union's preference for bilateral security systems, typical of its prewar policy, may at least indicate that if ever faced with the Western challenge of a security offer, the Kremlin would attempt to offset any propaganda loss by insistence on adhering to existing pacts. It is possible that the Kremlin may wish to make the first move in an effort to exploit the West European interest in security by suggesting, as an alternative, bilateral friendship agreements which would encourage a European policy independent of the United States.

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THE FRENCH PRESIDENTIAL ELECTION

By providing an additional basis for parliamentary bargaining between parties divided on national policy, the French presidential election scheduled for 17 December has intensified the search for new political alignments. Party differences are so many and deep-seated, however, that the prospects for a stable postelection government remain poor.. (See p.10 for table giving present composition of both houses of Parliament.)

The president, who serves for a seven-year term, is chosen by an absolute majority of the two houses of parliament, sitting jointly and voting by secret ballot, without nominating speeches or debate. Since 1879 no more than two ballots have been needed. Previous political bargaining is intensive, and traditionally, the successful candidate is a man of no strongly expressed views on controversial issues.

At present, the issue of the EDC is a major factor, not only because alliances will be formed for the election with an eye to a showdown on EDC shortly thereafter, but also because the president's power to recommit a bill to Parliament on constitutional grounds would enable him to delay action on the treaty beyond early 1954. Premier Laniel had been given the best chance of any candidate, but the concessions he made to anti-EDC rightist elements in the foreign policy debate of late November may have cost him needed support among the Popular Republicans (MRP), who strongly favor the treaty. On the other hand, Foreign Minister Bidault as a leader of the Catholic-oriented MRP is acceptable neither to anti-clerical elements nor to opponents of the treaty.

More likely possibilities include two Radical-Socialist leaders, Henri Queuille and Yvon Delbos, who have hitherto taken no strong stand on EDC. The presidents of the assembly and the upper house, Herriot and Monnerville, have also been mentioned as compromise candidates. If, as foreseen by many observers, this election brings extensive balloting without a decision, President Auriol may be drafted to avoid a stalemate, despite his repeated refusal to consider a second term.

The bargaining over the presidential election, however, is only one factor in the search for new political alignments. The basic problem in forming a stable postelection govern-

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ment is that there are three main issues which seriously divide the assembly. Excluding the Communists, who tie up one sixth of the assembly vote, there is one potential majority favorable to state subsidies for church schools, and two others, one on European integration and one on economic and social reform. No two of these majorities coincide, however, and all three issues cut across party lines.

Any attempt to reconcile foreign policy and domestic issues can orient the government either to the left or the right with, in each case, either a pro-EDC or an anti-EDC program. Even if a right-center coalition similar to the Laniel government results, early action on the EDC is not assured, and it is increasingly possible that such a coalition might in fact be formed with the intention of postponing ratification.

Since MRP participation is essential to any coalition, this party's insistence on EDC ratification reduces the possibility of a right-center government openly intent on delaying the EDC. The chances for a left-center majority are not improved thereby, however, despite progress reportedly made by Socialist leader Guy Mollet in dickering with MRP and Radical deputies and with Resistance Union leader Rene Pleven. There are too many Socialists opposed to the EDC to make such a government at all likely, even if they could be induced to leave the opposition by acceptance of their economic and social program. There is an outside possibility that a minority coalition of center parties could be formed with Socialist support, or even that a left-center majority could be patched together with a splintering of pro-EDC elements from rightist groups, but such a government would almost certainly be short-lived.

While there is little possibility of Communists participating in any alliance to elect the president, they may have an important bearing on the outcome, since they can be expected to support a candidate most likely to prevent bringing EDC to a vote. They cannot be considered in connection with a postelection government, however, since no possible coalition in the present assembly would consider their participation.

There is little likelihood that any election alliance will overcome the basic differences in party views; and the prospect of several years of parliamentary bickering will intensify the growing demand for a new general election. It will also be seized on by those who call with increasing frequency for a "strong man" to solve France's problems.

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COMPOSITION OF FRENCH PARLIAMENT

PARTY	NATIONAL ASSEMBLY (DEPUTIES)	COUNCIL OF THE REPUBLIC (SENATORS)	TOTAL
Communist and Progressives	100	16	116
Socialists	105	56	161
MRP and affiliated	88	27	115
Overseas Independents	15	12	27
Rally of the Republican Left:		71)
Democratic and Socialist)
Union of the Resistance	26) 172
Radical Socialists	75)
Independent Republicans	55	60	115
Peasants	47	19	66
Ex-Gaullist bloc:			
Union for Republican and Social Action and affiliated	78	47	125
Republican and Social Action	34	6	40
Unaffiliated	4	5	9
	<u>627</u>	<u>319*</u>	<u>946</u>

* 1 seat vacant

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VIETNAMESE OPPOSE ANY FRENCH TALKS WITH VIET MINH

The adverse Vietnamese reactions to Ho Chi Minh's peace feeler of 29 November will be formidable barrier to any French effort to work out a truce. Talk of possible Indochina armistice appears to have strengthened Vietnam's determination to improve its government administration and army, press for genuine independence within the French Union, and get on with the war.

The Vietnamese reaction is generally one of complete distrust of the sincerity of the Viet Minh feeler, and anger at the French for failing to reject it outright. The press regards Ho's telegraphic interview with a Swedish newspaper as mere propaganda indicating weakness and demonstrating the subservience of the Viet Minh to the Kremlin. Nationalists are certain that peace with the Viet Minh would assure the latter's eventual takeover. One newspaper pointedly observed that, unlike Korea where there are two strong geographic divisions, in Vietnam "the Viet Minh dagger is poised behind each of us, and will fall as soon as the enemy believes we are ready to give in." A Saigon newspaper bluntly rejected Premier Nehru's proposal that he would be ready to mediate the Indochina dispute.

France's equivocal response to the Ho interview has caused feelings ranging from panic to deep resentment. Bao Dai previously was confident that the French never seriously intended to deal with the Viet Minh. Dac Khe, Bao Dai's deputy in Paris, told the American embassy there that if France seriously considers a truce, Vietnam will have to seek alliances elsewhere, with Formosa, South Korea, or the United States, to carry on the anti-Communist struggle.

The only French comment that has been favorably received is the assurance that Vietnam will be consulted. Dac Khe, however, considers this insufficient. He stated that Vietnam would agree to negotiations only after a clear understanding with the French that talks would be designed only to stall for time and that Vietnam, rather than France, would do the negotiating.

As a result of Ho's offer, Tonkinese nationalists have submitted to Bao Dai a program for administrative reform and a military build-up to enable Vietnam to meet the Viet Minh alone. Press comment indicates that Bao Dai's prestige is

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rising. He has been urged to assume the role of premier as well as chief of state. This is significant because Tam, the present premier, has been the only Vietnamese official to admit the feasibility of negotiations. On the day following Tam's statement in Paris to that effect, Bao Dai told Ambassador Heath in Saigon that the premier would soon be replaced.

The Vietnamese are more than ever convinced of the importance of continued French military support, and have accordingly reaffirmed their adherence to the French Union. On the other hand, Bao Dai has stressed the urgency of spelling out the French Union relationship within a new bilateral agreement, and has insisted that this relationship must satisfy Vietnamese nationalist aspirations.

The Vietnamese are in a position to put physical obstacles in the way of a cease-fire agreement between the French and the Viet Minh and to employ propaganda and diplomacy in a way so that a French "betrayal" would be censured by the free world. Unlike the Rhee government in Korea, the Vietnam government's survival depends on its ability to prevent a truce. Also unlike Rhee, Bao Dai is in a position to hope for stronger anti-Communist support, notably from the United States, than France now provides. It is therefore probable that during the foreseeable future the Vietnam government will exert a strong negative influence on any attempt to achieve a truce.

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BRITAIN SEEKS DRASTIC REDUCTION IN SCOPE OF EAST-WEST TRADE CONTROLS

Discussions during recent months between the United States and Britain about the form and extent of future controls on exports of strategic goods to the Soviet bloc have emphasized Britain's growing desire to alter drastically the present COCOM program. In early November, Britain tentatively proposed a very short list, imposing an embargo on military and near-military items only. This would replace the present international lists which restrict trade also in items considered important to the industrial base underlying the Soviet bloc's war potential.

Britain, whose alignment with the United States thus far has been influential in persuading other European members to support present COCOM controls, bases its new attitude on the following general considerations: a partial reassessment of the Soviet Union's intentions during an extended cold war period; growing political and economic pressures within the United Kingdom for expanding East-West trade; and a conviction that present controls cannot be enforced indefinitely.

In the course of bilateral discussions in London, British officials have argued that recent Soviet overtures reflect a genuine desire for increased trade. They believe that Orbit leaders are committed to carry out, at least partially, their promises to provide more consumer goods, not by importing large quantities of these goods, but by importing machinery and raw materials to produce them.

Certain vocal elements of all parties in Parliament, as well as growing numbers of trade unionists and businessmen, are insisting that the Orbit offers a large potential market for British products. On the other hand, top leaders in the government, the powerful Trades Union Congress, and many responsible businessmen hold that there is actually little prospect of such an increase.

The government has been subjected to increasingly effective pressure to seek reduced controls on East-West trade. The elements who favor expanding trade have capitalized on the official view that the threat of war has receded, and argued that new markets must be found to offset the effects of the increased competition now faced by British products in a world buyers' market.

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Recent discussions between British and American representatives on specific transactions and on the future of COCOM have emphasized the growing prominence in the British view of commercial considerations as contrasted with strategic. Britain has sought COCOM permission to sell 32 trawlers to Poland and the Soviet Union, arguing principally that there was a prospect of serious unemployment in British shipyards. Although construction in British yards rose during the third quarter of 1953 and now constitutes 36 percent of the world's total, new orders have fallen sharply.

British representatives at first argued that there was a specific quid pro quo in the trawler deal--a valid criterion for granting an exception under present COCOM rules--but this assertion did not stand up under scrutiny. These officials also admitted that the Soviet Union might put the vessels to military uses, but held that this was unlikely.

British officials evidently regard a large-scale revision of the scope and intent of present COCOM controls as the best way of removing obstacles to these and other transactions. They argue that the establishment of a very short embargo list would permit the retention of enforceable controls during an extended cold war period. They hold that the present lists cannot long be maintained, regardless of the control machinery adopted, since the advent of a buyers' market encourages circumvention of controls. They contend further that the present controls promote domestic and international friction, that only a very short list of embargoed items is politically defensible and likely to gain public support, and that, in any case, some expansion in East-West trade is desirable in certain presently embargoed items.

As far as COCOM is concerned, the Consultative Group meeting originally scheduled for December has already been postponed because of the fundamental disagreement between the United States and Britain. In view of growing impatience with present controls and of increasing interest in Soviet trade offers among such countries as Belgium, France, and Italy, knowledge of the proposal for a short list, which London has only reluctantly agreed to conceal, could isolate the United States on this issue and threaten the entire structure of COCOM.

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THE INDUSTRIAL PHASE OF THE NEW ECONOMIC PROGRAMS IN EASTERN EUROPE

The common denominator of the new economic programs throughout the Orbit is a shift in emphasis from the rapid expansion of heavy industry at the expense of food and consumer goods production to a more balanced and moderate development of the national economies within the capabilities of the various countries.

On the basis of the unexpected increases in Satellite industrial production during the first stage of the long-term plans, the goals of the industrialization programs were significantly stepped up in 1950 and 1951. By mid-1953 the announced rates of industrial growth had declined markedly, and it was apparent that the goals would not be reached. Currency reforms and shortages of consumer goods and foodstuffs, particularly after the 1952 drought, had caused a lag in investment programs and shortages of raw materials and personnel, and had given rise to peasant and worker disaffection.

Several of the policy statements made by Satellite leaders during the summer of 1952 admitted that the industrialization aims had exceeded their capabilities and that they would henceforth base their economic development on local potentialities. The new policy called for a reduction in planned capital investments and a slower rate of expansion of heavy industrial production in every country. Some major long-range construction projects were canceled or cut back, but for the most part these were not essential to the economic growth of the Orbit. The funds thus made available were to be invested in agriculture, light industry, and housing.

Low labor productivity, raw material and power shortages, and an inefficient distribution system which caused chronic underfulfillment of the long-range economic plans were particularly serious in the more highly industrialized northern Satellites. To overcome these problems, the new economic programs in East Germany, Czechoslovakia, and Hungary called for sharp increases in production of electric power and, especially in Czechoslovakia, of coal and metallic ores. Transportation and marketing reforms were also planned to improve distribution.

During the past year, demands for improved labor discipline increased in frequency and sharpness, but with little

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apparent effect. One major aim of the new economic policy, therefore, was to raise labor productivity through improving worker morale. Politically, the improvement of labor morale must have appeared as highly desirable in order to overcome the workers' disaffection with communism, which became increasingly apparent during the past summer, particularly in East Germany and Czechoslovakia. Price reduction decrees were announced in most Satellites in October and early November, and in Rumania and Hungary wage and tax revisions were made which benefited primarily industrial workers.

The measures by which the Satellite governments hope to gain the full support of the urban workers include lower prices for food and consumer goods, promises of improvements in the quantity and quality of consumer goods, improved distribution, increased investments for construction of sorely needed urban housing, and wage and tax revisions favoring industrial workers. There is evidence that flour and meat were released from stockpiles in East Germany, Hungary, and Rumania to offset the extreme food shortages last winter and spring.

The new programs, if fully implemented, should result in a better balance between the agricultural, heavy industrial, and consumer goods sectors of the economies, and in a rise in the standard of living. Since most of the goals of the new economic policy have been stated with reference to 1954 and 1955, it is possible that the policy is designed to correct present imbalances by the end of 1955 and permit the Orbit to enter a new period of economic growth under a coordinated Five-Year Plan beginning in 1956.

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